



SACHI A. HAMAI  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
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*"To Enrich Lives Through Effective And Caring Service"*

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October 18, 2016

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

19 October 18, 2016

LORI GLASGOW  
EXECUTIVE OFFICER

### **AUTHORIZATION TO EXTEND CONTRACTS 67609, 67610, 67611 FOR WORKERS' COMPENSATION MEDICAL AND DISABILITY MANAGEMENT AND COST CONTAINMENT SERVICES (ALL DISTRICTS – 3 VOTES)**

#### **SUBJECT**

This recommendation by the Chief Executive Office (CEO) seeks the Board's approval to execute Amendment Four under the Workers' Compensation Medical and Disability Management and Cost Containment (MMCC) Services Contracts with Third Party Administrators (TPAs) CorVel Healthcare Corporation (CorVel), ACS ComplIQ (ACS), and Allied Managed Care, Inc. (Allied), for a period of twelve (12) months, effective January 1, 2017; and one, six-month optional renewal through June 30, 2018. Upon completion of successful negotiations with the current MMCC Proposers, the aforementioned contracts will be terminated for convenience.

#### **IT IS RECOMMENDED THAT THE BOARD:**

Approve and instruct the CEO or designee to execute and, if necessary, terminate for convenience, Amendment Four with CorVel under Contract No 67609, ACS under Contract No. 67610, and with Allied under Contract No. 67611, attached as Exhibit I, to provide Workers' Compensation MMCC services for an additional twelve (12) months beginning January 1, 2017 through December 31, 2017, to include the annual contract obligation of \$16,950,000 for the three contracts, which is 100 percent offset by the Workers' Compensation Employee Operation's budget.

Delegate authority to the CEO or designee to execute amendments and extend the term for one, six (6) month optional renewal through June 30, 2018, at the contract obligation of \$8,475,000; and/or provide an increase or decrease in funding up to 10 percent above or below each term's annual base maximum obligation consistent with service delivery, effective upon amendment execution or at the

beginning of the applicable agreement term, and subject to review and approval as to form by County Counsel.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Approval of the recommendations for the aforementioned services will allow for the continuation of vital risk management activities for an additional year, as these services will expire on December 31, 2016. The Request for Proposals (RFP) that was released on February 4, 2015 was cancelled due to substantial technical modifications required in the RFP. The cancellation required the subsequent contract analyst to revise the RFP and receive internal and external clearances and approvals prior to reissuance. The CEO released a revised RFP for MMCC services on April 13, 2016. A mandatory proposer's conference was conducted on May 6, 2016. Twenty-two vendors attended the conference. Nine (9) proposals were submitted by the due date of June 14, 2016. The minimum mandatory qualifications review was conducted on June 16, 2016 and June 20, 2016; and three (3) vendors were disqualified.

A thorough evaluation of the remaining six (6) proposals was conducted by an evaluation committee consisting of representatives from the following County departments: Fire, Health Services, Human Resources, Probation, Public Social Services, and Sheriff. The initial evaluation meeting was held on July 13, 2016; proposal evaluation instructions were provided, confidentiality agreements were established, and certifications to conflict of interest and disclaimer statements were ascertained. Due to the complexity of the evaluation method, the large volume of information, and unanimity of the evaluators' schedules, evaluation meetings were scheduled for September 28, 2016 and October 6, 2016; and the final meeting is scheduled for October 26, 2016. Depending on the outcome of the evaluation process, a protest is probable. Thus, we are allowing approximately eight (8) weeks for the protest process. Final recommendation of award is expected to occur no later than the fourth quarter of fiscal year 2016-17. Sufficient time is also needed to transition and implement the new Contracts with the recommended vendors. A termination for convenience provision is included to accommodate the outcome of the RFP.

The extension of the contracts listed above will permit no disruption in services, the completion of a highly complex RFP, appropriate transition of hard-copy files, client notifications, client orientation to new locations, and systems integration under the new Contracts. The extended contracts will be from January 1, 2017 through December 31, 2017; and include one, six (6) month optional renewal through June 30, 2018, effectuated as necessary to complete the transition of services to the new Contracts, and at the authority delegated to the CEO by the Board. During the Operations Cluster meeting on September 22, 2016, CEO Risk Management Branch and County Counsel informed the Board that the CEO would be seeking Board authorization for the subject extension.

The transition to the new Contracts involves the completion of system interface and data migration, which includes the data conversion of medical bill review history, in which the new Contracts will require at least the last seven (7) years of all County payment history data available from the three (3) current contractors. Implementation time is also needed for the new Contractors to negotiate and agree to terms with CEO Risk Management Branch regarding the selection and utilization of one (1) Pharmacy Benefit Management Network, one (1) Medical Provider Network, and one (1) Preferred Provider Organization Network. Contractors will be required to incorporate negotiated network rates in their bill review systems. Additionally, contractors are required to start-up the necessary call centers for the 24-hour telephonic reporting of all claims and injuries. This comprehensive strategy will provide a seamless transition of critical risk services.

### **Implementation of Strategic Plan Goals**

The recommended actions support Goal One, Operational Effectiveness/Fiscal Sustainability, by providing vital risk management services through County departments and County TPAs to improve the effectiveness of Countywide risk management activities.

### **FISCAL IMPACT/FINANCING**

Funding for the amendments for the workers' compensation MMCC services contracts (Corvel, ACS, Allied) will be paid from the Workers' Compensation Employee Operations budget. Funding has been included in the Fiscal Year 2016-17 Adopted Budget.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

In 1996, a contracted consulting firm recommended the County establish a comprehensive medical and disability management program that would integrate medical fee review services with preferred provider organization (PPO) networks, nurse case management, and 24-hour claim reporting. The County has since contracted for workers' compensation medical and disability management and cost containment services since 1998.

### **CONTRACTING PROCESS**

On October 7, 2008, after a formal solicitation process, the Board approved Contract Nos. 67609, 67610, and 67611 with Corvel, ACS, and Allied, respectively, effective January 1, 2009 through December 31, 2013, including two (2) one-year extensions through December 31, 2015. In 2013, the contracts were amended by delegated authority for one (1) additional optional year renewal, effective January 1, 2014 through December 31, 2014. In 2014, the contracts were amended with delegated authority for one (1) additional optional year renewal, effective January 1, 2015 through December 31, 2015. On July 15, 2015, the Board approved and instructed the CEO to execute a contract amendment to extend MMCC services through December 31, 2016, with the goal of completing the solicitation process; however, technical modifications required early cancellation and reissuance of the RFP on April 13, 2016.

Approval of the recommended extension of January 1, 2017 through December 31, 2017 will allow for the completion of the reissued RFP solicitation. The extension will provide no less than 120 days for transition to the new Contracts upon completion of the RFP process for the above referenced services. The new Contracts for this project will be contracted on an open competitive bid in the RFP process. Effective date of the new Contracts will be January 1, 2018.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the contracts' extensions will provide for the uninterrupted, State-mandated risk management services, completion of the solicitation process, and transition to the new Contracts.

### **CONCLUSION**

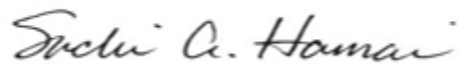
Upon approval by the Board, please return one adopted copy of the letter to the CEO Risk Management Branch, attention Steven T. Robles, County Risk Manager.

The Honorable Board of Supervisors

10/18/2016

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Respectfully submitted,

A handwritten signature in cursive script that reads "Sachi A. Hamai".

SACHI A. HAMAI

Chief Executive Officer

SAH:JJ

STR:RLC:KSJ:tv

Enclosures

c: Executive Officer, Board of Supervisors  
County Counsel  
Auditor-Controller

**COUNTY OF LOS ANGELES CHIEF EXECUTIVE OFFICE  
WORKERS' COMPENSATION MEDICAL AND DISABILITY MANAGEMENT AND  
COST CONTAINMENT SERVICES  
CONTRACT NO. \_\_\_\_\_**

**AMENDMENT FOUR**

This Amendment Four (the "Amendment") to the Workers' Compensation Medical And Disability Management And Cost Containment Services Contract, Contract No. \_\_\_\_\_ ("Contract"), is entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 2016 ("Effective Date") by and between the County of Los Angeles, a political subdivision of the State of California ("County") and \_\_\_\_\_ ("Contractor") as amended by Amendment One on \_\_\_\_\_, Amendment Two on \_\_\_\_\_, and Amendment Three on \_\_\_\_\_:

Recitals

**WHEREAS**, on October 7, 2008, the County Board of Supervisors ("Board") to entered into the Contract with the Contractor (hereinafter collectively the "Parties") for Workers' Compensation Medical And Disability Management And Cost Containment Services; and

**WHEREAS**, the Board approved the original term of the Contract for five (5) years, effective January 1, 2009 through December 31, 2013; with two (2) one-year option renewal years through December 31, 2015; and

**WHEREAS**, on July 21, 2015, the Board approved and instruct the Chief Executive Officer to execute an Amendment Three to extend the Contract through December 31, 2016; and

**WHEREAS**, the Parties agreed that this Amendment Four and the revisions set forth herein and the Attachments hereto are in their mutual interest and benefit;

**NOW THEREFORE**, in consideration of the mutual benefits derived therefrom, it is agreed between the Parties that the Contract be amended as follows:

1. This Amendment Four shall commence and be effective on January 1, 2017.
2. **Contract Paragraph 4.1**, shall be deleted in its entirety and replaced with the following;
  - 4.1 The term of the Contract shall commence on January 1, 2009, and shall expire on December 31, 2017, with one six (6) month optional extension through June 30, 2018, following approval by the Board, unless sooner terminated, in whole or in part, as provided in this Contract.
3. **Contract Exhibit B.2, Pricing Schedule**, shall be added to current Exhibits B and B.1, Pricing Schedule. Any reference to Exhibit B shall now be referenced as Exhibits B, B.1 and B.2.



**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment Four to be subscribed in its behalf by its duly authorized officers, the day, month, and year first above written.

**COUNTY OF LOS ANGELES**

**CONTRACTOR**

Name: \_\_\_\_\_  
SACHI A. HAMAI

Name: \_\_\_\_\_

Title: Chief Executive Officer

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

APPROVED AS TO FORM  
BY THE OFFICE OF THE COUNTY COUNSEL  
MARY C. WICKHAM  
County Counsel

By: \_\_\_\_\_  
Behnaz Tashakorian  
Senior Deputy County Counsel

**WORKERS' COMPENSATION MEDICAL MANAGEMENT AND  
COST CONTAINMENT SERVICES  
CONTRACT NO. \_\_\_\_\_**

**EXHIBIT B.2  
PRICING SCHEDULE**

(CONTRACTOR NAME HERE)

<b>BILLING CATEGORY</b>	<b>YEAR 9 (Extended Term)</b> (January 1, 2017 through December 31, 2017)
24 Hour Telephonic Reporting	\$x per claim
Telephonic Nurse Case Management	\$x per hour
Field Nurse Case Management	\$x per hour
Medical Bill Review	\$x per line
Hospital Bill Review	\$x per line
Inpatient Hospital Bill Review	%x of savings
Hospital Bill Audit	%x of savings
Negotiated Savings – Out of Network	%x of savings
MPN/PPO CorCare	%x of savings
UR Non Physician	\$x per referral
UR Physician Orthopedic Expert	\$x per referral
UR Physician Neurology Expert	\$x per referral
UR Physician Physical Medicine Expert	\$x per referral
UR Physician Chiropractic Expert	\$x per referral
UR Physician Psychiatry Expert	\$x per referral
UR Physician Psychology Expert	\$x per referral
UR Physician Internal Medicine Expert	\$x per referral

Savings for calculating fees is defined as the lesser of OMFS to pay amount or billed amount to pay amount.

Per UR referral contemplates the entire cost of completing the UR referral objective (approving, modifying or denying treatment request). There will be no charge for resubmission from the provider for a lack of medical denial within 30 days of the lack of medical denial determination.